

Message Text

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ORIGIN XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 COME-00 TRSE-00
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EXIMBANK

DRAFTED BY EXIM: R J ALBRIGHT
APPROVED BY EB/IFD/ODF:FHTHOMAS
EXIM: R J ALBRIGHT
EXIM: W. W. GLICK
EUR/EE:SFROMOWITZ
-----101023Z 012795 /23
R 092217Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY BELGRADE

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E.O. 11652: N/A

TAGS:EGEN

SUBJECT:EXIM CREDIT FOR JAT PURCHASE OF DC-10-30S

REFERENCE: BELGRADE 3698, BELGRADE 3713

BEGIN SUMMARY: EXIMBANK APPRECIATES EMBASSY REPORTING ON
THIS SUBJECT AND PROVIDES FOLLOWING BACKGROUND FOR EMBASSY
GUIDANCE AND TO CLARIFY THE RECORD.

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1. EXIMBANK IS PREPARING FOR BOARD CONSIDERATION ANALYSES
OF MATERIAL SUBMITTED BY JAT, BEOGRADSKA BANKA AND
YUGOSLAV INVESTMENT BANK BUT EXIM HAS INFORMED JAT BY TELEX
THAT THE FOLLOWING MATTERS MUST BE RESOLVED BEFORE EXIM
CAN MAKE DECISION ON FINANCING REQUEST: A) REPORT ON
STATUS OF EARNINGS (NOT PROJECTION OF EARNINGS) FROM
CONVERTIBLE CURRENCY FOREIGN EXCHANGE--REQUIRED BY EXIM IN
EXISTING CREDIT AGREEMENTS AND FOR WHICH JAT REMAINS
DELINQUENT; B) PAYMENT TO EXIM OF \$2,053.78 OVERDUE IN

INTEREST CHARGES FROM A PREVIOUS LOAN (POSSIBLY JAT CLERICAL ERROR); C) CLARIFICATION OF U.S. COSTS TO BE INCURRED FOR THIS PURCHASE. THUS FAR, ONLY ITEM C) HAS BEEN RESOLVED.

2. AT MAY 11, 1977 VISIT TO EXIM, AS IN DISCUSSIONS HELD

BY EXIM STAFF IN YUGOSLAVIA WITH BORROWER, THE SUBJECT OF EXIM 1-1/2 PERCENT GUARANTEE FEE WAS RAISED. ALTHOUGH JAT IN BOTH INSTANCES REQUESTED FAVORABLE TREATMENT, EXIM EMPHASIZED THAT ALL ITS FINANCIAL GUARANTEE TRANSACTIONS FOR YUGOSLAVIA CARRY 1-1/2 PERCENT FEE. ENTIRE EXIM CONSIDERATION OF THIS CASE IS MADE WITH THE ASSUMPTION THAT NATIONAL BANK GUARANTEE IS A PREREQUISITE. THEREFORE TO ASSERT THAT RATE OF EXIM FEE IS BASED ON THE POSSIBLE WITHHOLDING OF THE NATIONAL BANK GUARANTEE AND THAT A LOWER FEE IS POSSIBLE WITH THE PRESENCE OF THAT GUARANTEE IS ERRONEOUS AND MISLEADING. EXIM APPRECIATES EMBOFF'S RELATING POSSIBILITY THAT ABSENCE OF NATIONAL BANK GUARANTEE MAY MEAN NO EXIM COMMITMENT, SINCE THIS IS THE MANNER IN WHICH EXIM IS PROCEEDING.

3. EXIM SENT FOLLOWING TELEX CONCERNING NATIONAL BANK GUARANTEE TO FINANCE SECRETARY CEMOVIC ON JUNE 8, 1977:
QUOTE: WE HAVE RECEIVED AN APPLICATION FROM JUGOSLOVENSKI AEROTRANSPORT FOR OUR PRELIMINARY COMMITMENT TO SUPPORT FINANCING FOR PURCHASE OF ONE MCDONNELL DOUGLAS DC-10 LIMITED OFFICIAL USE

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AIRCRAFT WITH AN EXPORT VALUE OF DOLLARS 40 MILLION. WE ARE PREPARING DOCUMENTATION FOR FORMAL ACTION ON THIS APPLICATION IN THE NEAR FUTURE. WE WISH TO CONFIRM WITH YOU OUR UNDERSTANDING THAT THE NATIONAL BANK SUPER GUARANTEE PROCEDURE IS STILL IN EFFECT FOR EXIMBANK PENDING FURTHER DISCUSSIONS BETWEEN US IN THE FALL. WE RECALL YOUR PERSONAL ASSURANCE TO OUR VICE PRESIDENT, RAYMOND ALBRIGHT, THAT THE SUPER GUARANTEE PROCEDURE WOULD NOT BE MODIFIED UNILATERALLY PENDING OUR FURTHER DISCUSSIONS. WE HAD ANTICIPATED DISCUSSIONS ON THIS SUBJECT DURING YOUR APRIL VISIT TO WASHINGTON, BUT UNDERSTAND FROM YOUR MESSAGES THROUGH OUR EMBASSY IN BELGRADE AND YOUR EMBASSY IN WASHINGTON THAT YOU PREFERRED TO MEET WITH US ON THIS SUBJECT IN SEPTEMBER OR OCTOBER WHEN YOU ARE NEXT IN WASHINGTON. RECENTLY, U.S. BANKS AND EXPORTERS HAVE TOLD US THAT YUGOSLAV BANKS AND COMPANIES HAVE ADVISED THEM THAT THE SUPER GUARANTEE IS NO LONGER AVAILABLE FOR ANY EXIM TRANSACTIONS AND THAT THE CURRENT JAT CASE WILL BE THE FIRST FOR WHICH THIS GUARANTEE WILL NOT BE AVAILABLE. THE JAT PURCHASE OF DOLLARS 40 MILLION IS ONE OF SEVERAL APPLICATIONS ON

WHICH WE HAVE BEEN ASKED TO ACT DURING THE NEXT THREE MONTHS. BEFORE WE CAN COMPLETE OUR ACTION ON ANY OF THESE CASES WE WILL NEED YOUR CONFIRMATION THAT THE SUPER GUARANTEE PROCEDURE REMAINS AVAILABLE. WE WILL APPRECIATE YOUR EARLY REPLY AND THANK YOU FOR YOUR PERSONAL CONSIDERATION. BEST REGARDS. UNQUOTE

4. EXIM PROCEDURE FOR ISSUING COMMITMENT FOR YUGOSLAV

BORROWERS REQUIRES NATIONAL BANK SUPER GUARANTEE FOR ANY TRANSACTION OVER ONE MILLION DOLLARS. AT TIME A PRELIMINARY COMMITMENT (PC) IS ISSUED EXIM INFORMS YUGOSLAV FINANCE SECRETARIAT. HOWEVER, NATIONAL BANK ACKNOWLEDGMENT THAT ITS GUARANTEE WILL BE AVAILABLE IS ONLY REQUESTED AT TIME WHEN EXIM SUBSEQUENTLY APPROVES LIMITED OFFICIAL USE

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CONVERSION OF PC TO FINAL CREDIT. NATIONAL BANK FORMALLY ISSUES SUPER GUARANTEE PRIOR TO FIRST CREDIT DISBURSEMENT.

EMBASSY MAY DRAW ON INFORMATION IN PARAGRAPHS 1 AND 2 ABOVE WITH APPROPRIATE YUGOSLAV PARTIES BUT EXIM PREFERS THAT INFORMATION IN PARAS 3 AND 4 BE USED ONLY IF EMBASSY IS QUERIED BY GOVERNMENT AND NATIONAL BANK AUTHORITIES. VANCE

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Copy: SINGLE
Sent Date: 09-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Disposition Event:
Disposition History: n/a
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